

USPS-R2010-4R/11

Calculation of Contribution Lost from Recession-Related Volume Losses

I. PREFACE

Revisions of 10/25/13 are explained in **BOLD** at the end of this document.

A. Purpose and Content

These materials document the process used to quantify the contribution losses associated with the mail volume lost due to the Great Recession. This process thus constitute the final step in providing quantification of the financial harm to the Postal Service caused by the exigent event previously recognized by the Commission, in order to establish the basis for the exigent rate adjustments intended to address such harm.

B. Predecessor Document

Previously in this docket, an Excel file was provided with the Statement of Virginia Mayes (filed Nov. 21, 2011), which performed the same function with an earlier set of estimated Recession-related volume losses.

C. Methodology

These materials use estimates of recession-related volume losses (derived elsewhere) to evaluate the financial harm from such volume loss in two years, FY2012 and FY2014. For each of those two years, the total estimated lost contribution for Market Dominant mail is obtained by multiplying the unit contribution (for each Market Dominant mail category) for that given year (i.e., FY2012 or FY2014) by the estimates of lost volume (for each Market Dominant mail category), and summing across Market Dominant mail categories. Volumes lost due to the Great Recession have been estimated for each of five periods: FY2008 by itself, FY2008-FY2009, FY2008-FY2010, FY2008-FY2011, and FY2008-FY2012. Therefore, contribution lost due to the Great Recession has been estimated for each of the two evaluation years (FY2012 and FY2014) using the cumulative volume losses over each of those five periods.

D. Input/Output

Inputs are the estimates of recession-related volume losses as described in the Further Statement of Thomas Thress and documented in USPS-R2010-4R/10. Outputs are estimates of contribution loss by product, summed to a total

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contribution loss by year. The outputs appear in the Statement of Stephen Nickerson.

E. Public/Nonpublic Version

Since the lost contribution estimates are limited to those pertaining to Market Dominant products, there is no corresponding non-public version of these materials.

II. ORGANIZATION

The contents of this folder are this Preface and one Excel file.

Revisions of 10/25/13

These revisions were made to correct a data entry error for the FY12 unit contribution for Standard Mail Nonflat Machinables and Parcels, as reported in the FY12 ACD. In the Excel file, the change in that cell on each tab causes minor changes in those tabs, and in the summary tab. Changed tabs and cells are highlighted in yellow.